

BEFORE THE IDAHO BOARD OF TAX APPEALS

BARTHOLOMEW TRUST,)	
)	
Appellant,)	APPEAL NO. 15-A-1121
)	
v.)	FINAL DECISION
)	AND ORDER
BONNER COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonner County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RP0008700028A0A. The appeal concerns the 2015 tax year.

This matter came on for hearing October 7, 2015 in Sandpoint, Idaho before Board Member David Kinghorn and Hearing Officer Cindy Pollock. Craig and LaVonne Bartholomew appeared at hearing for Appellant. Al Ribeiro represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

The issue on appeal concerns the market value of an improved residential property.

The decision of the Bonner County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$501,700, the improvements' value is \$39,180, and other valuation is \$2,010, totaling \$542,890. Appellant agrees with the improvements' valuation, however, contends the correct land value is \$300,000, resulting in a total value of \$341,190.

The subject property is .35 acre waterfront parcel improved with a residence and a dock. The lot contains 100 front feet on the east side of Priest Lake. Subject is located in the Diamond

Park subdivision in Coolin, Idaho.

Appellant depicted subject as having steep topography and a rocky beach. Appellant objected to being compared to lots around the lake which enjoy flat, sandy beachfronts. Further, Appellant questioned the methodology utilized by Respondent in valuing subject, particularly where no consideration was given for the auction sales which took place in 2014. It was explained fifty-nine (59) properties sold at an auction in August 2014. Some of the auction sales were deemed by Appellant to be more comparable with subject, as they also had similar topography characteristics.

Appellant argued the auction properties were appraised by professional fee appraisers prior to being sold. The Bonner County Board of Equalization (BOE) adjusted the assessed values of these auction sites to the actual auction prices. Therefore, Appellant concluded these sales should be used as supportive data to determine subject's land value.

Appellant referenced three (3) of the auction sales which were considered to be most similar to subject. The first was located three-quarters (3/4) of a mile from subject and was also a steep lot like subject. This property sold for \$410,000 and contained 171 waterfront feet. Using a per front foot value Appellant concluded a rate of \$2,397 per front foot for this sale. This sale contained more frontage and acreage, however had similar overall characteristics to subject.

The second sale sold for \$380,000 and was steep like subject, however was said to contain a better beach area. This sale contained 146 front feet with a per front foot value of \$2,602. The remaining sale was also described as steep like subject and sold for \$350,000. The lot size was similar to subject and sold for \$3,070 per front foot. Photographs and sales

information were provided for the three (3) sales.

Respondent explained the entire lake was trended for the 2015 tax year. Respondent maintained due to the wide variety of lot sizes, beach types and locations all selling in a similar price range, all lakefront parcels should be assessed at the same front foot rate. There were nine (9) sales used to set the base front foot rate. Seven (7) of the sales occurred in 2014, with two (2) taking place in late 2013. Of the nine (9) sales, two (2) were vacant land sales. After removing the assessed improvement values for the improved sales, Respondent calculated residual land values between \$5,103 and \$6,965 per front foot.

The two (2) vacant parcels had sale prices indicating \$4,891 and \$5,200 per front foot. One (1) of the vacant sales contained 100 front feet and was located at the outlet on the south end of the lake. Respondent regarded this area of the lake as less desirable than the main lake, because it is on a spillway with shallow water and limited access.

Respondent explained the auction sales were not arm's length sales and therefore not used to set 2015 land values. It was explained the auction happened because the State was under compulsion to sell the cabin sites to fulfill its obligation to the endowment fund and the lessees of the lots were the purchasers at auction. Respondent stated the purchasers had extra motivation to own the land under their homes. Respondent concluded this was not typical motivation and therefore the auction sales were not considered valid market sales.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence

submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2015 in this case. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. There are three (3) approaches to value, the sales comparison approach, the cost approach, and the income approach. In a unique way, each approach considers the available information on recent comparable sales.

Appellant argued the sales used in Respondent’s analysis did not reflect a true representation of subject’s topography. Respondent’s sales involved almost exclusively level lots with sandy beachfronts. Appellant suggested this was not a true comparison when looking at subject’s location, as well as the steep and rocky waterfront. Respondent maintained the sales data did not show any notable price differences for location, physical characteristics or topography.

Appellant requested the auction sales be used in determining subject’s land value. Appellant pointed to three (3) auction sales considered to be similar to subject’s topography. In the record before us, we do not find these sales to be arm’s-length transactions. The only bids received on each auction lot were those of the lessees; there were effectively no outside bidders. Although, we do understand an independent fee appraisal was done to set the minimum auction bids, we were not provided the full appraisal to analyze. We had only excerpts

of the appraisal. Respondent noted this appraisal used sales from as far as ten (10) years back and even sales from other states. Accordingly the Board was unable to rely on the second hand information regarding the auction appraisal.

Respondent provided nine (9) lakefront sales which were located on both sides of Priest Lake. Two (2) of the sales were vacant parcels, with the remaining being improved properties. Respondent extracted the values of the improvements to determine the indicated front foot value. A rate of \$4,887 was then assigned to all front feet on Priest Lake with the exception of some outlet properties. Without being able to see what improvements were extracted in each individual analysis, the Board found it difficult to concede these land values are accurate. The Board does not agree that because one (1) sale of an improved property located on a steep slope sold at a price similar to flat lots that buyers are willing to pay the same price regardless of topography.

Respondent's sales analysis did not adequately consider subject's physical characteristics. We also note the per-front-foot sale prices were actually rather diverse. Some of this may be due to the extraction method, the frontage sizes, or some other factor. The sale lots contained between 50 and 253 front feet, this on its own would yield different price rates. There are too many unknown factors in the record for us to agree with applying the same value per front foot for flat sandy waterfront as for a rocky, steep lot.

In accordance with Idaho Code § 63-511, the burden is with the Appellant to establish Respondent's valuation is erroneous by a preponderance of the evidence. Appellant did not provide enough market evidence for the requested value, however we do find evidence which

supports a reduction. In all, we found consideration should be given for subject's steep and rocky topography.

Based on the above, the decision of the Bonner County Board of Equalization is modified, lowering subject's total land value to \$355,000, which includes the value attributable to the onsite improvements.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the total value decision of the Bonner County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease to \$396,190.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

Idaho Code § 63-3813 provides that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 4th day of January, 2016.